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REGIONAL COOPERATION IN THE ECONOMIC, SOCIAL AND RELATED FIELDS

Summary of the survey of economic conditions in the region of Latin America and the Caribbean, 1993

SUMMARY

In 1993, the phase of moderate growth in most of the Latin America and Caribbean economies continued, with relative price stability and support from a massive inflow of external capital.

The region's economic performance remained heavily influenced by two conflicting factors: first, the cumulative effect of the adjustment policies and reforms adopted in previous years, which had been gradually changing the bases on which economies functioned; second, the slow, uncertain evolution of the international economy, whose adverse consequences included the limited growth of global demand and the deterioration of commodity prices, but which had also brought about a drop in international interest rates which benefited the countries of the region.

The region's gross domestic product increased by 3.2 per cent in 1993, while per capita gross domestic product (GDP) rose for the third consecutive year, this time by 1.3 per cent. Although the region's aggregate performance was similar to that for 1992, it was heavily influenced by economic recovery in Brazil. If we exclude Brazil, the output of the rest of the region's economies grew by only 2.6 per cent, compared with nearly 5 per cent in the preceding biennium.

* E/1994/100.

Price stabilization continued to strengthen in the greater part of the region. Brazil was an exception to this trend, with three-digit inflation soaring even higher. In general, the consolidation of fiscal adjustment processes helped promote stabilization. In 1993, roughly half of the countries improved their fiscal management, either by reducing the deficit or by increasing the public account surplus.

Despite the sluggishness of world trade and of the industrialized countries' imports, the volume of Latin American and Caribbean exports had grown by almost 9 per cent. This was attributable in part to the vigorous growth of intra-Latin American trade and, in many cases, to the successful diversification of export structures in previous years.

This export effort was eroded by the drop in export prices, with the result that the value of Latin American and Caribbean external merchandise sales increased at a rate of close to 5 per cent. At the same time, the region's terms of trade deteriorated even further, this time by 5 per cent.

The value of Latin American and Caribbean merchandise imports increased by 8 per cent, after rising at an average annual rate of 18 per cent over the previous triennium. The increase remained relatively widespread, although some countries reduced their purchases and the variation in the regional aggregate was particularly influenced by the growth of Brazil's imports and the continued growth of Colombia's.

The merchandise trade deficit grew from US$ 10 billion the previous year to US$ 14.7 billion and was distributed more widely among the countries of the region. Furthermore, the current-account deficit of the region's balance of payments continued to grow in 1993, this time to nearly US$ 43 billion or 3.4 per cent of regional output, owing to the deterioration of the trade balance. The growing current-account deficit continued to be easily financed through the net flow of capital into the region, attracted largely by the differentials between dollar returns on Latin American investments and those prevailing on international financial markets.

As the net capital inflow continued to be far greater than the current-account deficit, the international reserves of most countries of the region increased for the fifth year in a row.

The reduction in net capital inflows, in circumstances in which net payments of profits and interest remained almost constant, meant that the net transfer of financial resources to the region fell from almost US$ 33 billion in 1992 to less than US$ 26 billion in 1993.

The region's external debt increased by 4 per cent, reaching US$ 487 billion. This expansion was due partly to new bond placements on the international market, an increase in short-term credit operations and, to a far lesser extent, some disbursements of official loans.

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INTRODUCTION

1. In 1993, the phase of moderate growth in most of the Latin American and Caribbean economies continued, with relative price stability and support from a massive inflow of external capital.

2. The region's economic performance remained heavily influenced by two conflicting factors: first, the cumulative effect of the adjustment policies and reforms adopted in previous years, which had been gradually changing the bases on which economies functioned; second, the slow, uncertain evolution of the international economy, whose adverse consequences included the limited growth of global demand and the deterioration of commodity prices, but which had also brought about a drop in international interest rates which benefited the countries of the region.

3. The region's gross domestic product increased by 3.2 per cent in 1993 (see tables 1 and 2, and figure), while per capita GDP rose for the third consecutive year, this time by 1.3 per cent (see tables 1 and 3, and figure). Although the region's aggregate performance was similar to that for 1992, it was heavily influenced by economic recovery in Brazil. If we exclude Brazil, the output of the rest of the region's economies grew by only 2.6 per cent, compared with nearly 5 per cent in the preceding biennium.

4. Generally speaking, the growth slow-down coincided with a slow-down or levelling out of export volumes. In the few cases in which growth picked up, exports also grew.

5. Price stabilization continued to strengthen in the greater part of the region. Brazil was an exception to this trend, with three-digit inflation soaring even higher (see table 4). By contrast, the average increase in the other countries' consumer prices, which had dropped from 49 to 22 per cent the previous year, fell to 19 per cent in 1993. Moreover, countries with an annual inflation rate of under 15 per cent became the majority in 1993. In general, the consolidation of fiscal adjustment processes helped promote stabilization.

6. The downward trend in inflation, coupled with acceptable (though declining) growth rates in most countries, was not just the outcome of an economic policy aimed at restricting the growth of internal demand in order to stabilize prices. Because the credit expansion was largely the result of an inflow of external capital, monetary and foreign-exchange policies had little margin for achieving this goal on their own. Measures to sterilize the growth of the monetary base resulting from the accumulation of reserves contributed to this goal, but only to a limited extent.

Table 1. Latin America and the Caribbean: main ecoromic indicators a/

Indicator	1986	1987	1988	1989	1990	1991	1992	1993 b/
Gross domestic product at market prices (index: base year 1980 = 100)	106.7	110.1	111.0	112.0	112.4	116.6	120.0	123.9
Population (millions of inhabitants)	392.8	400.9	408.9	417.0	425.1	433.2	441.3	449.0
Per capita gross domestic product (index: base year 1980 = 100)	93.6	94.7	93.6	92.6	91.1	92.8	93.8	95.0
			Growth rate					
Gross domestic product	4.2	3.2	0.8	0.9	0.3	3.8	3.0	3.2
Per capita gross domestic product	2.0	1.2	-1.2	-1.0	-1.6	1.8	1.1	1.3
Consumer prices c/	64.1	208.9	773.7	1 205.7	1 185.2	198.6	416.8	796.6
Terms of trade (goods)	-11.0	-0.9	-0.3	1.2	-0.9	-8.7	-5.6	-4.9
Purchasing power of exports of goods	-11.9	7.9	8.2	4.5	5.4	-2.8	2.9	3.3
Current value of exports of goods	-15.7	14.5	13.9	9.8	9.8	-0.8	5.1	4.5
Current value of imports of goods	2.5	12.6	14.0	6.6	15.8	18.2	22.7	7.7
			Billions of dollars					
Exports of goods	77.6	88.7	101.1	111.0	121.9	120.9	127.2	132.9
Imports of goods	59.7	67.2	76.7	81.7	94.6	111.8	137.2	147.7
Trade balance (goods)	17.9	21.5	24.4	29.3	27.3	9.1	-10.0	-14.8
Net payments of profits and interest	32.4	31.3	34.0	37.6	34.8	31.0	29.2	28.9
Balance on current account d/	-17.4	-10.9	-11.0	-6.7	-6.5	-20.2	-36.9	-42.6
Net movement of capital e/	9.9	15.2	5.3	9.7	20.7	39.3	62.0	54.6
Global balance f/	-7.5	4.3	-5.7	3.0	14.2	19.1	25.1	12.0
Total gross external debt g/	401.0	427.4	419.6	422.7	439.1	456.6	468.1	487.0
Net transfer of resources h/	-22.5	-16.1	-28.7	-27.9	-14.1	8.3	32.8	25.7

Source: Economic Commission for Latin America and the Caribbean, on the basis of official figures.

a/ The figures for the gross domestic product and consumer prices referring to the group of countries included in table 2, except Cuba (23 countries), and table 5, respectively. The data on the external sector corresponding to the 19 countries listed in the table on the balance of payments of Latin America and the Caribbean (table 9).

b/ Preliminary estimates, subject to revision.

c/ Variation from December to December.

d/ Including net unrequited private transfer payments.

e/ Including long- and short-term capital, unrequited official transfer payments, and errors and omissions.

f/ Corresponding to the variation in international reserves (of opposite sign) plus counterpart items.

g/ See the notes to the table entitled "Latin America and the Caribbean: total disbursed external debt" (table 11).

h/ Corresponding to net inflow of capital, less net payments of profits and interest.

Table 2. Latin America and the Caribbean: growth of total gross domestic product

(Percentage based on values at 1980 prices)

	Annual growth rate							Cumulative variation	
	1987	1988	1989	1990	1991	1992	1993 a/	1981-1990	1991-1993 a/
Latin America and the Caribbean b/	3.2	0.8	0.9	0.3	3.8	3.0	3.2	12.4	10.3
Oil-exporting countries	2.7	2.0	0.1	4.1	4.5	3.3	1.2	15.1	9.3
Bolivia	2.6	3.0	3.2	4.6	4.6	2.8	3.0	1.2	10.9
Colombia	5.6	4.2	3.5	4.0	1.9	3.6	4.5	43.6	10.3
Ecuador	-4.8	8.8	0.2	2.0	4.7	3.3	1.5	20.4	10.0
Mexico	1.9	1.2	3.3	4.4	3.6	2.6	1.0	17.9	7.2
Peru	8.0	-8.4	-11.5	-5.6	2.1	-2.7	6.5	-11.4	5.8
Trinidad and Tobago	-4.6	-3.3	-0.5	2.2	1.8	-0.6	-1.0	-19.6	0.1
Venezuela	3.8	5.9	-7.8	6.8	10.2	6.9	-1.0	4.2	16.6
Non-oil-exporting countries b/	3.6	-0.1	1.5	-2.4	3.2	2.8	4.7	10.4	11.0
South America	3.5	-0.1	1.3	-2.7	3.3	2.6	5.0	10.1	11.3
Argentina	2.7	-2.1	-6.2	-0.1	8.9	8.6	6.0	-8.7	25.4
Brazil	3.6	-0.1	3.3	-4.4	0.9	-0.9	4.5	16.5	4.6
Chile	5.7	7.5	9.8	2.0	5.8	10.3	6.0	32.7	23.6
Guyana	1.1	-2.3	-4.5	-2.7	5.5	7.7	4.0	-24.3	18.1
Paraguay	4.5	6.7	5.9	3.1	2.3	1.7	3.5	36.6	8.0
Suriname	-6.2	8.2	4.2	-1.7	-2.5	-5.0 a/	...	3.4	-7.4 f/
Uruguay	7.7	-0.3	1.3	0.9	2.9	7.4	2.0	3.2	12.7
Central America and the Caribbean b/	4.5	-0.2	3.5	1.3	1.9	4.5	1.3	13.8	8.1
Bahamas	4.6	2.3	2.0	4.8	-3.2	1.0	2.5	31.2	39.5
Barbados	2.6	3.5	3.6	-3.5	-4.3	-4.0	...	8.3	-8.2 f/
Belize	12.2	6.1	12.4	10.2	3.2	7.6	3.5	54.8	14.8
Cuba c/	-3.9	2.2	0.8	...	...	...	...	42.0 g/	...
Dominican Republic	8.7	0.8	4.5	-4.9	-1.0	6.8	2.0	22.2	7.7
Haiti	-0.7	0.9	1.0	-0.2	0.6	-10.5	-11.0	-3.8	-19.7
Jamaica	6.5	2.2	7.4	5.3	0.2	1.5	2.0	22.6	3.7
Panama	2.2	-15.9	-0.2	5.2	9.1	8.0	5.5	6.3	24.3

	Annual growth rate							Cumulative variation	
	1987	1988	1989	1990	1991	1992	1993 a/	1981-1990	1991-1993 a/
Central American Common Market	3.3	1.7	3.3	2.3	2.7	5.0	4.2	9.7	12.3
Costa Rica	4.5	3.2	5.5	3.4	2.1	6.8	6.0	25.1	15.7
El Salvador	2.7	1.5	1.1	3.4	3.3	4.7	5.0	-1.1	13.6
Guatemala	3.6	4.0	3.7	2.9	3.5	4.7	4.0	8.8	12.8
Honduras	4.9	4.9	4.7	-0.4	2.1	5.7	3.5	25.5	11.8
Nicaragua	-0.7	-13.6	-1.7	-0.2	-0.4	0.8	-1.0	-14.0	-0.3
OECS countries d/	6.1	8.7	4.8	4.5	2.5	3.3	...	68.4	5.9 f/
Antigua and Barbuda	8.7	7.7	5.2	2.8	1.6	1.7	...	79.0	3.3 f/
Dominica	6.8	7.9	-1.1	6.6	2.1	2.6	2.0	54.8	6.6
Grenada	6.0	5.8	5.7	5.2	2.9	0.6	...	58.5	3.5 f/
Saint Kitts and Nevis	7.4	9.8	6.7	3.0	3.7	3.6	...	75.3	7.4 f/
Saint Lucia	2.2	12.1	4.6	3.9	1.6	6.6	...	59.0	8.3 f/
Saint Vincent and the Grenadines	5.8	8.6	7.2	7.1	4.6	4.7	...	85.8	9.5 f/

Source: Economic Commission for Latin America and the Caribbean, on the basis of official figures converted into dollars at constant 1980 prices.

Note: Three dots (...) indicate that data are unavailable.

a/ Preliminary estimates, subject to revision. Figures for 1993 have been rounded to the nearest ten or five.

b/ Not including Cuba.

c/ Referring to total social product.

d/ OECS = Organization of Eastern Caribbean States.

e/ Referring to the period 1980-1989.

f/ Referring to the period 1990-1992.

Table 3. Latin America and the Caribbean: growth of per capita gross domestic product

(Percentage based on values at 1980 prices)

	Annual growth rate							Cumulative variation	
	1987	1988	1989	1990	1991	1992	1993 a/	1981-1990	1991-1993 a/
Latin America and the Caribbean b/	1.2	-1.2	-1.0	-1.6	1.8	1.1	1.3	-8.9	4.3
Oil-exporting countries	0.5	-0.2	-2.0	1.9	2.4	1.2	-0.8	-8.3	2.8
Bolivia	0.1	0.5	0.7	2.1	2.1	0.4	0.8	-21.2	3.2
Colombia	3.7	2.3	1.7	2.2	0.2	1.8	2.8	17.9	4.8
Ecuador	-7.0	6.2	-2.2	-0.4	2.4	1.0	-0.5	-6.6	2.9
Mexico	-0.4	-1.0	1.1	2.2	1.4	0.5	-1.3	-6.4	0.7
Peru	5.8	-10.3	-13.3	-7.5	0.0	-4.7	4.4	-28.9	-0.5
Trinidad and Tobago	-5.9	-4.5	-1.8	1.0	0.6	-1.7	-2.0	-29.6	-3.2
Venezuela	1.3	3.4	-9.9	4.4	7.8	4.6	-3.1	-19.0	9.3
Non-oil-exporting countries b/	1.6	-1.9	-0.4	-4.1	1.4	1.0	3.0	-9.4	5.4
South America	1.7	-1.8	-0.4	-4.3	1.6	1.0	3.4	-9.0	6.2
Argentina	1.3	-3.3	-7.4	-1.3	7.6	7.4	4.8	-20.2	21.0
Brazil	1.6	-2.0	1.4	-6.1	-0.8	-2.5	2.9	-5.2	-0.5
Chile	3.9	5.7	8.0	0.3	4.1	8.5	4.4	12.2	17.9
Guyana	1.1	-2.3	-4.6	-3.1	4.8	6.8	3.0	-27.8	15.2
Paraguay	1.4	3.6	2.9	0.2	-0.5	-1.0	1.0	0.5	-0.6
Suriname	-8.0	6.1	2.2	-3.6	-4.3	-6.8	...	-13.8	-10.8
Uruguay	7.1	-0.9	0.8	0.3	2.3	6.8	1.4	-2.8	10.7
Central America and the Caribbean b/	2.1	-2.4	1.1	-1.0	-0.5	2.0	-1.9	-9.5	-0.6
Bahamas	2.7	0.5	0.2	3.0	-4.9	-0.7	0.9	8.1	-4.7
Barbados	2.3	3.1	3.3	-3.8	-4.6	-4.3	...	5.0	-8.7
Belize	9.2	3.3	9.5	7.6	1.0	5.4	1.4	19.6	7.9
Cuba c/	-4.8	1.1	-0.3	...	...	...	...	-4.1	...
Dominican Republic	6.3	-1.4	2.2	-6.9	-3.0	4.6	-0.1	-2.9	1.4
Haiti	-2.6	-1.1	-1.0	-2.2	-1.4	-12.3	-12.6	-20.6	-24.4
Jamaica	5.5	1.3	6.5	4.4	-0.8	0.5	1.0	8.1	0.6
Panama	0.2	-17.6	-2.2	3.0	7.0	6.0	3.5	-13.6	17.4

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	Annual growth rate							Cumulative variation	
	1987	1988	1989	1990	1991	1992	1993 a/	1981-1990	1991-1993 a/
Central American Common Market	0.7	-0.9	0.6	-0.4	-0.2	2.0	1.2	-15.0	3.1
Costa Rica	1.6	0.4	2.6	0.7	-0.4	4.2	3.5	-5.8	7.4
El Salvador	1.0	-0.3	-0.8	1.4	1.2	2.5	2.7	-13.5	6.5
Guatemala	0.7	1.0	0.8	0.0	0.6	1.8	1.0	-18.2	3.4
Honduras	1.7	1.7	1.6	-3.4	-1.0	2.6	0.7	-8.2	2.3
Nicaragua	-3.0	-15.6	-4.3	-3.2	-3.9	-3.0	-4.6	-34.5	-11.0
OECS countries d/	5.4	8.0	4.2	3.8	1.9	2.6	...	59.2	...
Antigua and Barbuda	8.1	7.1	4.5	2.1	0.7	0.7	...	68.0	...
Dominica	7.1	8.1	-0.9	6.9	2.4	2.9	2.6	61.2	8.1
Grenada	5.8	5.6	5.5	5.0	2.7	0.4	...	55.1	...
Saint Kitts and Nevis	7.9	10.3	7.7	3.0	3.7	3.6	...	83.6	...
Saint Lucia	0.7	10.5	3.2	2.5	0.3	5.2	...	37.5	...
Saint Vincent and the Grenadines	4.8	7.5	6.2	6.1	3.6	3.7	...	70.2	...

Source: Economic Commission for Latin America and the Caribbean, on the basis of official figures. Population figures have been estimated by the Latin American Demographic Centre (CELADE).

Note: Three dots (...) indicate that data are unavailable.

a/ Preliminary estimates, subject to revision.

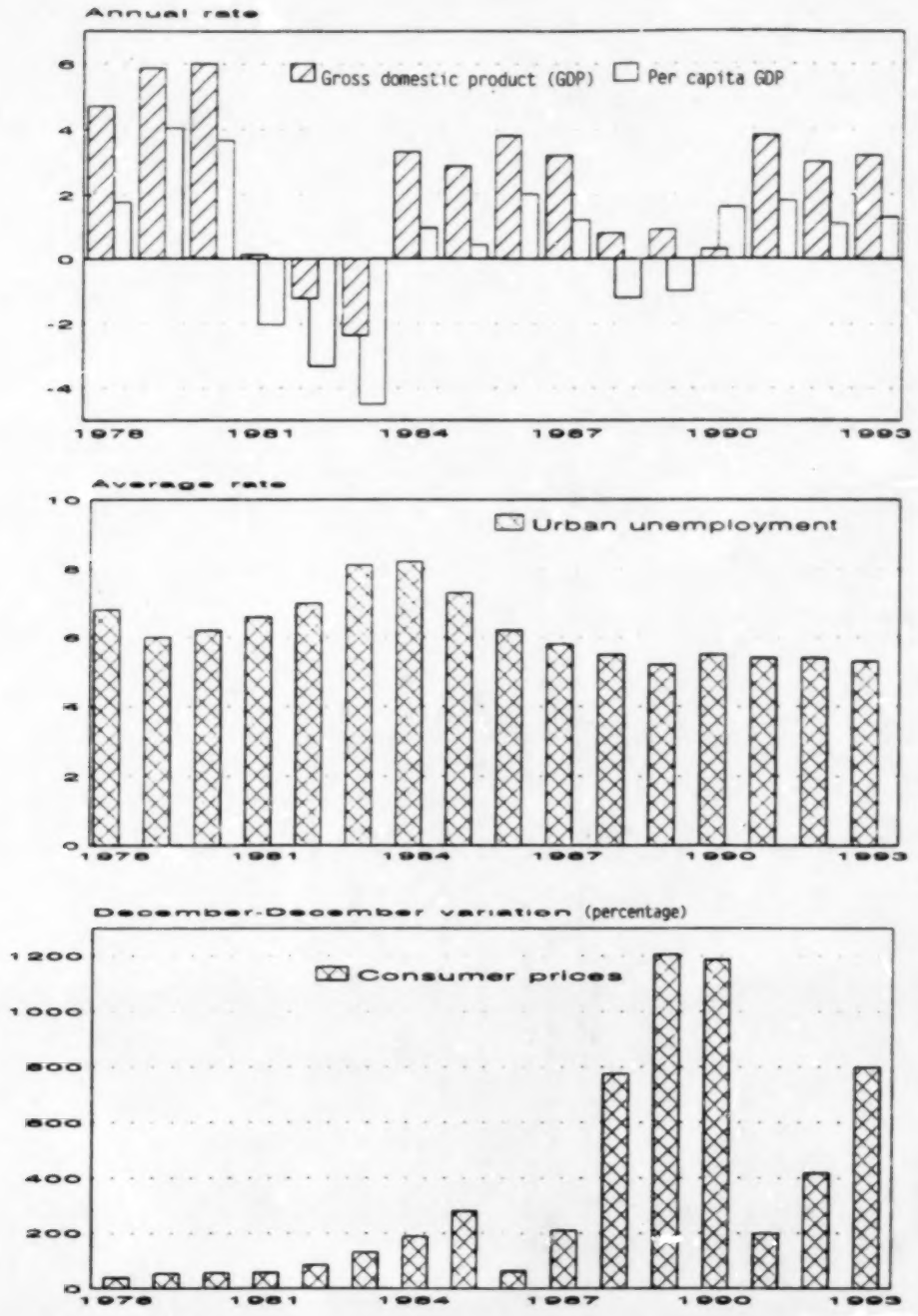
b/ Not including Cuba.

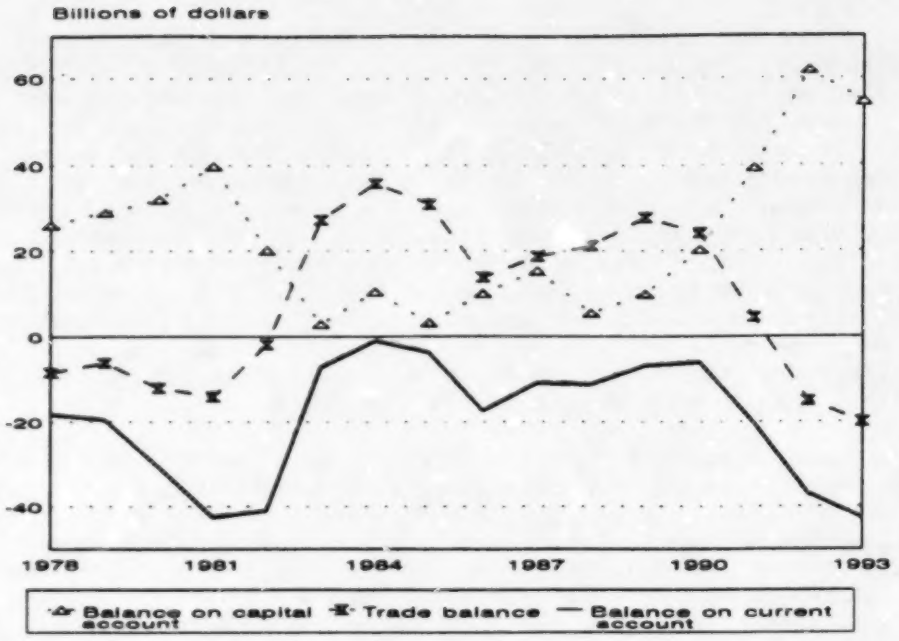
c/ Referring to total social product.

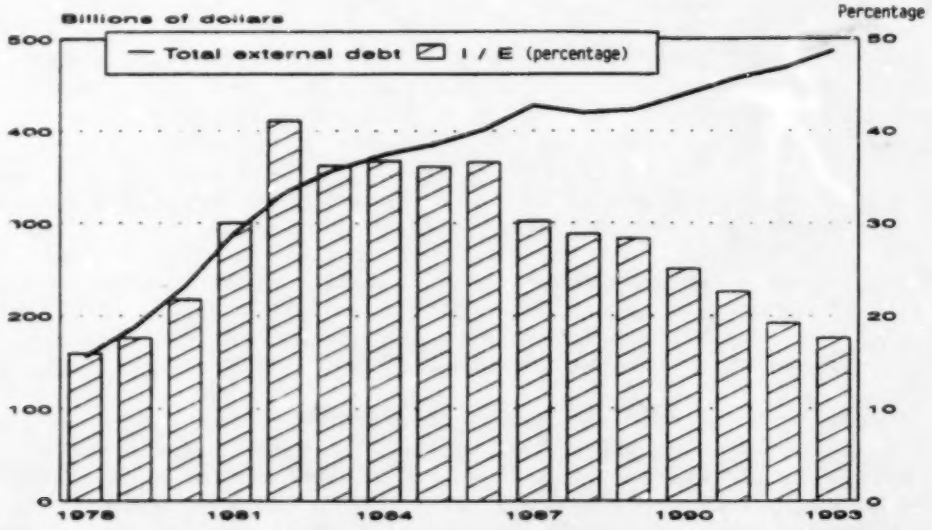
d/ OECS = Organization of Eastern Caribbean States.

/...

Figure. Latin America and the Caribbean: main economic indicators







Source: Economic Commission for Latin America and the Caribbean, on the basis of official figures.

Note: I = total interest; E = exports of goods and services. I/E represents coefficient of the external debt burden.

7. In many countries, the fact that a disproportionate share of the increase in domestic spending triggered by the greater availability of financing had gone to imports also contributed to this outcome. Moreover, the abundance of foreign exchange held down the exchange rate and prices for tradables, causing currency to appreciate in real terms, since inertial inflation was more evident in prices for non-tradable goods and services for which demand was strictly local. All in all, exchange-rate appreciation helped slow down inflation and also influenced expectations. Furthermore, since the situation of the international economy was uncertain and its growth slow, the value of the exports of most countries of the region had increased at moderate rates in the last triennium, absorbing the impact of the steady decline in the terms of trade. On the other hand, the region had again become a net importer of external financial resources, after having transferred abroad the equivalent of almost four percentage points of its output annually for the greater part of the last decade.

8. Perhaps the main driving force behind these flows had been the drop in international returns in dollars, coinciding with consistently high returns on capital in Latin America. However, reform processes, external debt write-offs, price stabilization and stable economic policy were the factors that made those returns attractive, by reducing the perceived risk - particularly the exchange-rate risk - of investing in many countries of the region. This new climate of confidence also encouraged residents of the region to repatriate their capital through the various available financial instruments, a process which in some cases led to the flow of new resources.

9. Massive external financing in economies that were more oper to imports, greater fiscal soundness, price stability and economic recovery combined to bolster the confidence of internal and external agents in the permanence of economic policy and in the continuing reproduction of these results.

10. However, the maintenance of this new functioning of the region's economies created some concerns and some dilemmas related to the management of economic policy. Given the size of the external gap of most Latin American and Caribbean countries, there was a tendency for imports to settle at levels far in excess of exports, with the growth of imports exceeding immediate possibilities for the growth of exports. Capital flows helped to finance this gap, and even to increase it by stimulating further imports.

11. This situation threatened the normal functioning of many of the region's economies, given the possibility of new external shocks. A large proportion of external capital was short-term or had entered the region for speculative purposes by means of long-term instruments. Some of these investments might be particularly sensitive to an increase in international interest rates or to the normalization of their initial returns, even without a sudden change in economic policy. Moreover, external investors paid close attention to the size of each country's external gap as an indicator of the sustainability of the basic process linking investment, growth and imports with capital inflows.

12. All of this gave external capital a degree of volatility that probably influenced the volume of net capital inflows at a given moment more than their continuation over time. Besides, no matter how unlikely it may now seem that

new external shocks will occur in the short term, we cannot discount the possibility that they may occur at some point in the more distant future.

13. There was little room for manoeuvre in dealing with this eventuality. In most cases, macroeconomic and fiscal regulation could operate only within relatively limited margins of intervention, at the risk of eroding confidence in its permanence and exerting a negative impact whose consequences were virtually incalculable. Even within these margins, the size and composition of the capital flows entering the region posed difficult dilemmas for monetary and foreign-exchange policy. To the extent that those flows responded to international economic conditions or their volatility made them essentially temporary, there was a case to be made for sterilizing their impact on the money supply in order to gain control of monetary policy; however, this could give rise to a perverse mechanism whereby higher interest rates attract even more temporary capital.

14. Given this situation, it was desirable that the composition of capital flows should gradually shift away from volatile flows towards more stable capital flows and risk investments. This would justify a limited, selective regulation of external financing, following the lead of some countries of the region. Cutting back on short-term flows and eventually reducing capital flows to their more permanent components would also help to alleviate pressures towards exchange-rate appreciation without substantially affecting investment financing.

15. Overcoming the above situation in the medium term depends essentially on the rapid, sustained expansion of exports and on the international competitiveness of production structures. This will require an ongoing effort to change production patterns, increased investment in sectors that produce tradables, and access to external markets.

16. Accordingly, despite the magnitude of the difficulties still being faced by Latin American and Caribbean goods and services in gaining access to the markets of the industrialized countries, 1993 ended with some encouraging signs, the most significant being the intensification of intra-Latin American trade, the recent ratification of the North American Free Trade Agreement among Canada, the United States of America and Mexico and the adoption of the Final Act of the Uruguay Round of multilateral trade negotiations.

I. ECONOMIC ACTIVITY

17. The level of economic activity in Latin America and the Caribbean grew by 3.2 per cent in 1993, prolonging the moderate recovery that had begun in 1991 (tables 1 and 2, and figure). Per capita output therefore registered another increase, this time by 1.3 per cent (tables 1 and 3, and figure). However, since regional output in 1993 was only 24 per cent higher than that in 1980, in other words, before the onset of the debt crisis, per capita output remained 5 per cent lower than it was in 1980, and equivalent to its 1978 level. As was not the case in previous years, Brazil was a positive factor in this expansion of regional output, since its level of activity increased significantly in 1993 after three years of poor performance. If Brazil is excluded, the growth rate

of Latin America and the Caribbean fell from an annual 5 per cent in the previous biennium to 2.6 per cent in 1993.

18. The increase in output was fairly widespread, although it varied considerably among countries. After five years of recession, Peru registered a significant expansion (6.5 per cent) (see table 2). Chile again showed sustained growth (6 per cent), although less than the previous year's (represented by a figure of over 10 per cent). Thus it continued its steady expansion for the tenth year running, outstripping its 1980 level by more than 60 per cent. Argentina and Costa Rica increased their levels of activity also by 6 per cent, while in Panama the rate was 5.5 per cent. Output in five countries - Brazil, Colombia, El Salvador, Guatemala and Guyana - expanded by between 4 and 5 per cent; in four countries - Belize, Bolivia, Honduras and Paraguay - by between 3 and 3.5 per cent; in six countries - the Bahamas, Dominica, the Dominican Republic, Ecuador, Jamaica and Uruguay - by between 1.5 and 2.5 per cent; and in one country - Mexico - by only 1 per cent. In contrast, in four countries - Haiti, Nicaragua, Trinidad and Tobago and Venezuela - output fell. In Cuba also, the severe slump in the level of activity worsened for the fourth consecutive year. In brief, eight countries recorded more positive results than in 1992, while six others maintained a high growth rate, although one that was slightly lower than the previous year; on the other hand, nine countries registered a deterioration in their levels of activity or continued to show unfavourable results.

19. The highest rates of expansion corresponded to ongoing economic recovery processes in Peru and Argentina, the sustained growth of Costa Rica and Chile and the acceleration of growth in Bolivia, Colombia and Paraguay. Growth also continued at significant rates in El Salvador, Guatemala and Honduras. Brazil's level of activity showed a partial recovery, in the midst of instability. The lowest expansion rates coincided with slow-downs of growth in Ecuador, Mexico, Uruguay, Jamaica and Dominica. Drops in the level of activity also reflected the prolongation of recessions in Cuba, Haiti and Nicaragua, while Venezuela entered a recession after three years of high growth rates.

20. Despite the still relatively high demographic growth rates in many countries of the region, the results in terms of per capita output were largely positive. In five countries - Argentina, Chile, Costa Rica, Panama and Peru - this indicator of well-being rose by more than 3 per cent, while another eight countries registered a moderate increase of between 1 and 3 per cent. In contrast, in 10 of the remaining countries, per capita output grew only slightly or even shrank. As a result of the poor performance of the economies of the region in the past decade, however, only a small number of countries recorded a higher per capita output in 1993 than in 1980, namely, Chile (32 per cent), Colombia (24 per cent), Jamaica (9 per cent), Uruguay (8 per cent), the Bahamas (3 per cent), Panama (2 per cent) and Costa Rica (1 per cent), and the country members of the Organization of Eastern Caribbean States (OECS) (70 per cent). At the other end of the scale, the biggest reductions in per capita output in the period 1980-1993 were recorded in Nicaragua (-42 per cent), Haiti (-40 per cent), Trinidad and Tobago (-32 per cent), Peru (-29 per cent), Suriname (-28 per cent), Bolivia (-19 per cent), Guyana (-17 per cent), Guatemala (-15 per cent), El Salvador (-8 per cent), Brazil, Honduras and Mexico (-6 per cent) and Ecuador (-4 per cent) (see table 3).

21. Unemployment rates showed few noteworthy changes compared with previous years, given the moderate growth of most of the region's economies (see figure). Significant drops were observed only in Colombia and Panama, where the rate fell by over one percentage point, owing to the expansion of the level of economic activity, while in Chile, which also had a high growth rate, the decline was negligible in view of the increase in the labour force. The unemployment rates in Bolivia, Brazil, Guatemala and Uruguay also dropped slightly. The same occurred in Venezuela, despite the contraction of the economy. On the other hand, in Argentina, whose economy showed a considerable expansion, the unemployment rate rose significantly, reaching 9.5 per cent, because of the sharp increase in the number of available workers. In Ecuador and Mexico, unemployment rose somewhat, while Honduras registered a higher increase.

II. PRICES AND WAGES

22. In 1993, most of the countries of Latin America and the Caribbean continued to register a decline in their rates of inflation; however, a limited number that were still struggling to bring their macroeconomic imbalances under control had to put up with an increase in or a resurgence of inflation after having managed to bring it down in previous years. Brazil stood out from the rest because of its high and growing inflation: thus, while the overall regional annual average variation in consumer prices rose to 800 per cent in 1993 after having stood at 420 per cent the year before, if Brazil is excluded from the reckoning, the regional annual average decreased from 22 per cent in 1992 to 19 per cent in 1993 (see table 4).

23. The generalized advance of stabilization efforts had narrowed the differences of behaviour noted in the 1980s. Thus, in 1993 only Brazil still registered chronic high inflation, to such a point that the monthly variation in its consumer prices exceeded the annual rates of the vast majority of the other countries. Ecuador, Jamaica, Peru, Nicaragua, Uruguay and Venezuela, with rates of inflation ranging from 25 to 52 per cent, maintained a situation of controlled instability in which they managed to avoid excessive outbursts of inflation. It may be recalled that Peru and Nicaragua suffered from processes of hyperinflation in 1990. The rest of the countries, most of which kept up strict anti-inflationary programmes, registered price variations of not more than around 20 per cent per year. Argentina's stabilization programme was particularly successful: three years after the country's last bout of hyperinflation, consumer prices rose by only 8 per cent during 1993. The stabilization process was also consolidated in Mexico, where inflation dropped below 9 per cent. Bolivia and Costa Rica also managed to beat their annual inflation down to about 9 per cent, while the Dominican Republic registered its third year in succession of very small price rises (about 3 per cent in 1993); and in Barbados and Panama inflation was even lower.

24. In most of the countries, the macroeconomic policy applied in 1993 was a continuation of that begun in previous years. This trend was aided by the persistence of the main features of the international economy, especially the low interest rates prevailing in the dollar area and the greater confidence of economic agents - both individual and institutional - in the economic stability of the countries of the region.

25. This situation led to an abundant inflow of resources from abroad. The widespread inflow of capital under mostly fluctuating exchange regimes led to generalized declines in real exchange rates, even when minimum rates were set in an attempt to defend the countries' external competitiveness. In only three countries (Honduras, Paraguay and Peru) were increases in the real exchange rates observed, while in two others (Chile and Venezuela) real parity remained unchanged. In all the other countries, the rates went down. In 10 countries, the rise in the value of the national currency coincided with a slackening in inflation; indeed, in Chile inflation went down even though the real exchange rate remained stable. In Honduras and Paraguay, in contrast, the real devaluation coincided with an upsurge in inflation. In only one case (Peru) did a decline in inflation coincide with appreciation of the national currency, albeit from very low levels of the real exchange rate. The foregoing suggests

Table 4. Latin America and the Caribbean: variations in consumer price indexes

(December-December variations)

	1985	1986	1987	1988	1989	1990	1991	1992	1993 a/
Latin America and the Caribbean	280.1	64.1	208.9	773.7	1 205.7	1 185.2	198.6	416.8	796.6
Argentina	385.4	81.9	174.8	387.7	4 923.3	1 343.9	84.0	17.5	7.7 b/
Barbados	2.4	-0.5	6.3	4.4	6.6	3.4	8.1	3.3	0.3 c/
Bolivia	8 170.5	66.0	10.7	21.5	16.6	18.0	14.6	10.4	9.2 b/
Brazil	239.1	59.2	394.6	993.3	1 863.6	1 585.2	475.1	1 149.1	2 244.0 b/
Chile	26.4	17.4	21.4	12.7	21.4	27.3	18.7	12.7	12.2 b/
Colombia	22.3	21.0	24.0	28.2	26.1	32.4	26.8	25.1	21.2 b/
Costa Rica	11.1	15.4	16.4	25.3	10.0	27.3	25.4	17.0	9.2 d/
Dominican Republic	28.3	6.5	25.0	57.6	41.2	100.7	3.9	6.7	3.3 d/
Ecuador	24.4	27.3	32.5	85.7	54.3	49.5	49.0	60.2	32.2 b/
El Salvador	31.9	30.3	19.6	18.2	23.5	19.3	9.8	20.2	13.5 d/
Guatemala	27.9	21.4	9.3	12.3	20.2	59.8	10.0	14.3	12.8 b/
Haiti	17.4	-11.4	-4.1	8.6	10.9	26.1	6.6	18.0	60.0 e/
Honduras	4.2	3.2	2.9	6.6	11.4	35.2	24.5	6.5	13.4 b/
Jamaica	23.3	10.4	8.4	8.9	17.2	29.7	76.7	40.2	24.8 d/
Mexico	63.7	105.7	159.2	51.7	19.7	29.9	18.9	11.9	8.7 b/
Nicaragua	334.3	747.4	1 347.2	33 547.6	1 689.1	13 490.2	775.4	3.9	28.3 d/
Panama	0.4	0.4	0.9	0.3	-0.2	1.2	2.4	1.6	1.6 d/
Paraguay	23.1	24.1	32.0	16.9	28.5	44.1	11.8	17.8	19.5 b/
Peru	158.3	62.9	114.5	1 722.6	2 775.3	7 649.6	139.2	56.7	41.3 b/

	1985	1986	1987	1988	1989	1990	1991	1992	1993 a/
Trinidad and Tobago	6.5	9.9	8.3	12.1	9.3	9.5	2.3	8.5	11.5 f/
Uruguay	83.2	70.6	57.3	69.0	89.2	129.0	81.5	58.9	52.3 b/
Venezuela	7.3	12.7	40.3	35.5	81.0	36.5	31.0	31.9	44.1 b/

Source: International Monetary Fund, International Financial Statistics, November 1993, and information provided by the countries.

a/ Figures corresponding to the variation in prices during the 12-month period ending in the month indicated for each country.

b/ Corresponding to the variation between November 1992 and November 1993.

c/ Corresponding to the variation between August 1992 and August 1993.

d/ Corresponding to the variation between October 1992 and October 1993.

e/ Corresponding to the variation between September 1992 and September 1993.

f/ Corresponding to the variation between July 1992 and July 1993.

that, against a background of abundant inflows of external resources, national economic policies were taking advantage on quite a widespread scale of the anti-inflationary effect of exchange rate stability.

26. The further accentuation of fiscal adjustment measures was another salient factor in the progress of stabilization programmes: in 1993, half of the 19 countries for which information was available had improved their fiscal management, either by reducing their deficits or increasing their surpluses. The regional situation in 1993 was as follows: nine countries (Argentina, Chile, Colombia, the Dominican Republic, Ecuador, Mexico, Paraguay, Peru and Uruguay) had their fiscal accounts under control (or reflecting only small deficits); three (Costa Rica, Guatemala and Panama) had imbalances equivalent to less than 2 per cent of the gross domestic product; and seven (Bolivia, Brazil, El Salvador, Haiti, Honduras, Nicaragua and Venezuela) had major financial deficits. Among the last group of countries, Brazil managed to eliminate its operating deficit but still registered an excessive financial gap because of the high nominal interest rates on its domestic debt. Bolivia and the Central American countries - for their part - were special cases because, thanks to international aid programmes, they followed a strategy of balanced fiscal current accounts and financed their public investment programmes with the donations and loans thus available from abroad.

27. In the countries where stabilization programmes had managed to consolidate their effects, the economic agents began to restore their real monetary balances after the processes of capital flight which had led to a sharp contraction in the proportion of the gross domestic product accounted for by the monetary aggregates. The increased demand for money facilitated monetary management by reducing the need to absorb excess liquidity through open-market operations which forced up interest rates; in the countries in question the expansion in the money supply was due to demand rather than supply. This change in behaviour in contrast with that of the second half of the 1980s enabled the inflation tax to be spread over a broader base at a lower rate, as well as permitted a higher level of seigniorage.

28. The progress made in controlling inflation in 1993 was accompanied, in general, by a slackening in the high economic growth rates registered the year before. Thus, only three countries simultaneously managed to reduce inflation and increase their growth rates. In nine countries, in contrast, lower inflation was accompanied by slower growth and, in most cases, a bigger external gap. The combination of growth of the product and lower inflation was reflected in a generalized rise in real wages, although in some cases this was partly due to increases in productivity per worker.

III. THE EXTERNAL SECTOR

29. The value of the region's merchandise exports grew by less than 5 per cent, reaching US$ 133 billion, thereby maintaining the moderate expansion of the year before. This figure was quite modest, in comparison with that of the period 1987-1990, when sales abroad had grown by an average of 12 per cent annually. The increase in 1993 was entirely due to a rise in export volume of close to

9 per cent, since the unit values of exports fell by 4 per cent, because of the adverse conditions prevailing in foreign markets (see table 5).

30. Export performance in the region was also quite mixed. Four countries - Costa Rica, El Salvador, Nicaragua and Paraguay - recorded considerable growth (between 12 and 33 per cent); four others - Argentina, Brazil, Colombia and Mexico - increased their exports by between 6 and 8 per cent; another four - Bolivia, Guatemala, Honduras and Panama - recorded moderate growth; and one - Venezuela - experienced a stagnation in the value of exports. In contrast, in five economies - Chile, Ecuador, Peru, Uruguay and the Dominican Republic - the value of exports declined by between 3 and 8 per cent, and in Haiti it plummeted by 32 per cent. The value of exports from petroleum-exporting countries barely increased (4 per cent), with unit value falling by 5 per cent, largely because of lower average hydrocarbon prices and a volume increase of 9 per cent. That non-petroleum-exporting countries increased the value of their exports somewhat more (5 per cent) was attributable to the larger volumes exported (8 per cent), since there was a 2.5 per cent reduction in unit value.

31. The value of Latin America and the Caribbean's merchandise imports rose once again - for the third year running - although more moderately (8 per cent), reaching US$ 147.7 billion. This expansion, which was facilitated and even stimulated by large volumes of capital inflows, was widespread, although with some important exceptions. The petroleum-exporting countries recorded a rise of 3 per cent in their imports, while those of non-petroleum exporting countries rose by 13 per cent. The figure for the first group reflected mainly the rise in unit values, since volume increased only slightly. The rise in unit values was mostly accounted for by imports from the United States, which represented a high share of these countries' imports. In non-petroleum-exporting countries, the increase was almost exclusively due to the expansion of the volume of imports, since unit values dropped as a result of the strong decline in oil prices. Imports rose in 13 of the 19 countries for which information was available, while they fell in only 6 - Bolivia, Ecuador, Haiti, Nicaragua, Peru and Venezuela. Three quarters of the increase in total regional imports came from two countries: Brazil, where imports expanded by almost US$ 5 billion, and Colombia, which recorded a rise of US$ 2.7 billion (25 per cent of the upswing in the region's foreign purchases). Argentina and Chile, each with an increase in imports of close to US$ 1 billion, also contributed significantly to the rise in the region's purchases. Venezuela, however, reduced its imports considerably, contracting them by US$ 1 billion, after two years of vigorous expansion (see tables 6 and 8).

32. The terms of trade for the region as a whole fell by almost 5 per cent in 1993, owing mainly to the dwindling unit value of exports, which caused that of imports to rise by only 1 per cent. Added to earlier decreases, Latin America and the Caribbean's terms of trade were 32 per cent below their 1988 level and 36 per cent below that of 1980 (see table 7). The downturn affected most of the countries of the region; terms of trade rose only in Argentina, El Salvador, Nicaragua, Paraguay and Uruguay.

Table 5. Latin America and the Caribbean: exports of goods, free on board (f.o.b.)

	Value				Unit value				Volume			
	Index (base: 1980 = 100) 1993 a/	Annual rate of variation			Index (base: 1980 = 100) 1993 a/	Annual rate of variation			Index (base: 1980 = 100) 1993 a/	Annual rate of variation		
		1991	1992	1993 a/		1991	1992	1993 a/		1991	1992	1993 a/
Latin America and the Caribbean	150	-0.8	5.1	4.5	70	-6.7	-3.8	-3.7	214	6.3	9.3	8.7
Oil-exporting countries	126	-3.2	-0.7	3.8	60	-11.7	-6.0	-5.1	210	9.7	5.4	9.4
Bolivia	67	-8.5	-20.0	3.6	56	-4.5	-22.8	-11.0	119	-4.2	3.7	16.3
Colombia	193	6.0	-3.3	5.9	64	-11.3	-10.3	-4.0	300	19.6	7.9	10.3
Ecuador	116	5.0	5.5	-2.8	55	-6.8	-1.2	-3.5	210	12.7	6.7	0.7
Mexico	189	0.1	2.5	6.8	63	-9.6	-4.9	-1.0	300	10.6	7.7	7.9
Peru	86	3.0	4.7	-2.8	102	4.0	-1.3	-12.0	85	-0.9	6.0	10.4
Venezuela	73	-14.2	-6.8	-0.1	49	-19.0	-7.4	-11.5	150	5.9	0.6	13.0
Non-oil-exporting countries	176	1.4	10.4	5.1	81	-1.4	-2.7	-2.5	218	3.0	13.4	7.9
South America	187	0.2	10.4	4.9	78	-2.1	-2.9	-2.7	239	2.4	13.7	7.9
Argentina	162	-3.0	2.1	6.3	82	-2.6	2.7	5.5	198	-0.5	-0.6	0.8
Brazil	193	0.7	14.2	7.7	77	-2.7	-3.6	-3.5	252	3.5	18.5	11.7
Chile	196	7.4	11.9	-7.7	74	0.8	-8.1	-10.5	266	6.6	21.8	3.1
Paraguay	332	-19.2	-10.2	32.6	97	-0.2	-4.7	1.0	342	-19.0	-5.8	31.3
Uruguay	151	-5.2	6.1	-6.0	95	-4.5	-0.6	2.0	159	-0.7	6.8	-7.8
Central America and the Caribbean	131	9.4	9.7	6.2	103	2.0	-1.4	-1.9	128	7.3	11.2	8.3
Costa Rica	191	10.6	14.4	11.7	76	-2.9	-4.6	-0.3	253	14.0	19.9	12.2
Dominican Republic	56	-10.4	-14.0	-4.6	72	-3.7	-6.5	-5.0	78	-6.9	-8.0	0.5
El Salvador	67	1.3	-0.2	22.7	70	1.8	-9.0	2.5	95	-0.4	9.7	19.6
Guatemala	87	1.5	4.4	3.2	84	5.4	-6.0	-1.5	104	-3.6	11.0	4.8
Haiti	23	1.6	-55.2	-31.5	85	1.6	-8.0	-0.5	27	0.0	-51.3	-31.1
Honduras	102	-5.6	0.6	2.6	92	-9.5	-1.0	1.0	110	4.3	1.7	1.6
Nicaragua	58	-19.3	-18.9	19.3	84	-5.6	-4.1	1.5	69	-14.6	-15.4	17.7
Panama	232	25.0	20.9	5.0	152	1.0	-1.0	-3.0	153	23.7	22.1	8.3

Source: Economic Commission for Latin America and the Caribbean.

a/ Preliminary estimates.

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Table 6. Latin America and the Caribbean: imports of goods, frec on board (f.o.b.)

	Value				Unit value				Volume			
	Index (base: 1980 = 100) 1993 a/	Annual growth rate			Index (base: 1980 = 100) 1993 a/	Annual growth rate			Index (base: 1980 = 100) 1993 a/	Annual growth rate		
		1991	1992	1993 a/		1991	1992	1993 a/		1991	1992	1993 a/
Latin America and the Caribbean	163	18.2	22.7	7.7	110	2.1	2.1	1.2	149	15.8	20.1	6.5
Oil-exporting countries	190	22.3	24.4	2.9	111	4.0	1.0	2.6	171	17.5	23.2	0.2
Bolivia	168	3.7	29.4	-7.3	101	-16.8	3.7	2.0	166	24.7	24.8	-9.1
Colombia	204	-11.0	32.6	45.0	112	2.1	1.6	0.5	182	-12.8	30.5	44.3
Ecuador	95	29.0	2.0	-5.6	100	7.5	1.3	2.5	94	20.0	0.7	-7.9
Mexico	259	22.1	26.2	1.5	113	5.0	0.9	3.0	229	16.3	25.1	-1.4
Peru	127	20.9	15.9	-3.2	128	10.4	0.4	1.0	99	9.5	15.5	-4.2
Venezuela	104	48.8	21.1	-7.9	102	2.7	0.7	2.0	102	44.9	20.3	-9.6
Non-oil-exporting countries	142	13.8	20.8	13.3	108	0.0	3.3	-0.4	131	13.8	16.9	13.7
South America	135	14.0	20.5	15.2	105	-1.4	4.2	-1.1	129	15.5	15.7	16.5
Argentina	157	102.9	80.2	8.2	137	9.9	1.9	2.5	115	84.7	76.8	5.5
Brazil	111	1.8	-2.2	23.4	95	-6.9	1.0	-1.5	116	9.4	-3.1	25.2
Chile	185	4.5	25.6	9.5	103	-1.5	1.6	-1.5	179	6.1	23.7	11.2
Paraguay	302	2.0	9.4	11.7	79	2.9	0.1	-0.5	383	-0.8	9.3	12.2
Uruguay	126	21.8	25.7	8.2	100	1.8	-0.1	0.0	126	19.7	25.8	8.1
Central America and the Caribbean	168	13.0	21.5	7.6	120	4.3	0.6	2.5	140	8.3	20.8	4.9
Costa Rica	189	-5.5	30.3	17.3	114	5.6	0.3	2.5	165	-10.5	29.9	14.4
Dominican Republic	144	-3.6	26.0	0.6	114	-0.3	0.1	2.5	127	-3.3	25.8	-1.9
El Salvador	193	9.7	22.6	9.3	141	5.4	0.0	2.0	137	4.0	22.6	7.2
Guatemala	166	17.2	39.1	5.0	106	12.4	1.2	2.5	157	4.3	37.5	2.5
Haiti	52	21.5	-34.4	-16.2	110	-2.8	0.8	1.0	47	25.0	-34.9	-17.1
Honduras	109	0.6	7.7	5.8	103	-2.4	0.3	2.5	106	3.1	7.3	3.2
Nicaragua	83	20.8	6.9	-9.6	99	4.1	-1.7	1.0	84	16.0	8.8	-10.4
Panama	217	30.4	18.8	10.3	133	2.4	1.5	2.0	164	27.4	17.1	8.1

Source: Economic Commission for Latin America and the Caribbean.

a/ Preliminary estimates.

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Table 7. Latin America and the Caribbean: terms of trade (goods), f.o.b./f.o.b.

	Index (index: 1980 = 100)				Annual growth rate				Cumulative variation	
	1990	1991	1992	1993 a/	1990	1991	1992	1993 a/	1981-1990	1991-1993 a/
Latin America and the Caribbean	78	71	67	64	-0.9	-8.7	-5.6	-4.9	-21.9	-18.1
Oil-exporting countries	74	63	58	54	6.0	-15.1	-6.9	-7.6	-26.3	-26.9
Bolivia	74	85	63	55	-6.8	14.8	-25.5	-12.7	-25.9	-25.3
Colombia	79	68	60	57	-12.0	-13.1	-11.7	-4.5	-21.5	-26.8
Ecuador	69	60	59	55	10.2	-13.3	-2.5	-5.8	-30.7	-20.3
Mexico	72	62	58	56	7.0	-13.8	-5.7	-4.0	-28.4	-21.9
Peru	99	93	92	80	4.9	-5.8	-1.6	-12.9	-0.8	-19.3
Venezuela	76	60	55	48	18.5	-21.2	-8.0	-13.3	-23.9	-37.1
Non-oil-exporting countries	82	81	76	75	-6.3	-1.5	-5.9	-2.1	-17.6	-9.2
South America	82	81	76	74	-7.0	-0.9	-6.8	-1.7	-18.1	-9.1
Argentina	65	58	58	60	-5.0	-11.2	0.7	2.9	-35.0	-8.0
Brazil	83	86	82	81	-7.1	4.5	-4.5	-2.1	-17.4	-2.4
Chile	85	87	78	71	-8.1	2.4	-9.5	-9.2	-15.4	-15.8
Paraguay	132	128	120	123	-1.3	-3.0	-4.8	1.5	31.6	-6.3
Uruguay	100	94	93	95	-12.7	-6.2	-0.5	1.9	-0.1	-4.9
Central America and the Caribbean	93	91	90	86	-2.4	-2.1	-2.0	-4.4	-6.6	-8.3
Costa Rica	78	72	68	66	-6.7	-8.2	-4.7	-2.9	-22.0	-15.1
Dominican Republic	76	73	68	63	-18.7	-3.4	-6.7	-7.3	-24.3	-16.5
El Salvador	57	55	50	50	-14.6	-3.5	-9.0	0.5	-43.4	-11.7
Guatemala	94	88	82	79	0.3	-6.2	-7.1	-3.9	-5.8	-16.2
Haiti	82	86	78	77	-8.4	4.5	-8.7	-1.5	-17.8	-6.0
Honduras	99	92	91	90	-4.2	-7.3	-1.3	-1.5	-0.7	-9.8
Nicaragua	96	87	85	85	-10.2	-9.3	-2.4	0.5	-4.4	-11.0
Panama	125	124	121	115	10.1	-1.4	-2.4	-4.9	25.3	-8.5

Source: Economic Commission for Latin America and the Caribbean.

a/ Preliminary estimates.

Table 8. Latin America and the Caribbean: trade balance (goods)

(Millions of dollars)

	Exports of goods f.o.b.			Imports of goods f.o.b.			Trade balance		
	1991	1992	1993 a/	1991	1992	1993 a/	1991	1992	1993 a/
Latin America and the Caribbean	120 906	127 161	132 940	111 790	137 155	147 680	9 116	-9 994	-14 740
Oil-exporting countries	56 270	55 834	57 955	59 368	73 833	75 955	-3 098	-17 999	-18 000
Bolivia	760	608	630	804	1 041	965	-44	-433	-335
Colombia	7 507	7 263	7 695	4 548	6 030	8 745	2 959	1 233	-1 050
Ecuador	2 851	3 008	2 925	2 207	2 252	2 125	644	756	800
Mexico b/	26 855	27 516	29 375	38 184	48 193	48 900	-11 329	-20 677	-19 525
Peru	3 329	3 484	3 385	3 494	4 051	3 920	-165	-567	-535
Venezuela	14 968	13 955	13 945	10 131	12 266	11 300	4 837	1 689	2 645
Non-oil-exporting countries	64 636	71 327	74 985	52 422	63 322	71 725	12 214	8 005	3 260
South America	55 247	61 030	64 045	39 167	47 207	54 390	16 080	13 823	9 655
Argentina	11 978	12 235	13 000	7 559	13 623	14 735	4 419	-1 388	-1 735
Brazil	31 619	36 103	38 900	21 041	20 578	25 400	10 578	15 525	13 500
Chile	8 928	9 986	9 215	7 354	9 238	10 115	1 574	748	-900
Paraguay	1 117	1 003	1 330	1 669	1 827	2 040	-552	-824	-710
Uruguay	1 605	1 703	1 600	1 544	1 941	2 100	61	-238	-500
Central America and the Caribbean	9 389	10 297	10 940	13 255	16 115	17 335	-3 866	-5 818	-6 395
Costa Rica	1 498	1 714	1 915	1 698	2 212	2 595	-200	-498	-680
Dominican Republic	658	566	540	1 729	2 178	2 190	-1 071	-1 612	-1 650
El Salvador	588	587	720	1 294	1 587	1 735	-706	-1 000	-1 015
Guatemala	1 230	1 284	1 325	1 673	2 328	2 445	-443	-1 044	-1 120
Haiti	163	73	50	300	197	165	-137	-124	-115
Honduras	838	843	865	913	983	1 040	-75	-140	-175
Nicaragua	268	218	260	688	736	665	-420	-518	-405
Panama c/	4 146	5 012	5 265	4 960	5 894	6 500	-814	-882	-1 235

Source: 1991 and 1992: Economic Commission for Latin America and the Caribbean, on the basis of figures supplied by the International Monetary Fund; the figures for Ecuador, El Salvador, Haiti and Paraguay for 1992 are Economic Commission for Latin America and the Caribbean estimates based on official figures; 1993: Economic Commission for Latin America and the Caribbean, on the basis of official figures.

(Footnotes on following page)

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(Footnotes to table 8)

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a/ Preliminary estimates. Figures have been rounded to the nearest ten or five.

b/ If values corresponding to the maquiladora industry (the industry comprising those enterprises involved in the production of goods for foreign export) are included in the total for goods, in line with the latest international recommendation, total exports were US$ 42,688 million, US$ 46,196 million and US$ 50,855 million, imports were US$ 49,667 million, US$ 62,129 million, and US$ 64,850 million, and the corresponding trade balances were US$ -7,279 million, US$ -15,933 million and US$ -13,985 million for 1991, 1992 and 1993, respectively. If this new method is adopted, the service entries for foreign trade must also be corrected, eliminating the value of the maquila (maquiladora industry-related activity) from them.

c/ Excluding re-exports and trade in the Colón free zone, the totals for exports were US$ 452 million, US$ 465 million and US$ 490 million for 1991, 1992 and 1993, respectively, and for imports, US$ 1,695 million, US$ 1,955 million and US$ 2,080 million for 1991, 1992 and 1993, respectively. Thus, the merchandise trade balances were US$ -1,243 million, US$ -1,490 million and US$ -1,590 million for 1991, 1992 and 1993.

33. The purchasing power of the region's exports, defined as export volume adjusted by the terms of trade, rose by 3.3 per cent, and this increase was considerably less than the growth in volume, owing to the erosive effects of the deteriorating terms of trade.

34. The deficit on the current account of the balance of payments increased notably in 1993. The negative balance on this account, which had increased significantly in 1991 to US$ 20 billion and jumped again to US$ 37 billion in 1992, continued to accumulate in 1993, reaching US$ 43 billion. The trade balance was the main culprit, with a deficit having grown from US$ 10 billion in 1992 to US$ 15 billion in 1993, owing to a persistent tendency for imports to grow more rapidly than exports (see tables 8 and 9).

35. The growing trade gap was mostly due to worse balances in Brazil, Chile and Colombia, which were only partially offset by better results in Mexico and Venezuela. Even though Brazil once again recorded an enormous surplus, it declined from US$ 15.5 billion to US$ 13.5 billion, given the strong rise in imports produced by the recovery of domestic demand in a more liberal trade framework.

36. The trade balance for goods and services was similar to that for goods, since net payments for non-factor services were again around US$ 5.3 billion. This, however, was due to variations in different directions. Net payments for services increased significantly in Argentina and Brazil, more than offsetting the growth of flows into Mexico and the Dominican Republic and the decline in Venezuela's net service payments (see table 9).

37. After declining between 1991 and 1992, net payments of profits and interest from Latin America and the Caribbean fell only slightly in 1993, from US$ 29.2 billion to US$ 28.9 billion. The main differences from the previous year were a drop of close to US$ 1 billion in Argentina's factor payments (the result of a Brady-style agreement) and a rise of US$ 1.1 billion in Brazil. The factor payments of Mexico and Venezuela also rose somewhat, while those of Chile, Colombia and Panama declined (table 9).

38. The region's lower net payments for factor services reflected the net effect of opposite trends. On the one hand, interest due on the external debt fell in practically all of the countries, owing primarily to the decline in international dollar interest rates. On the other hand, remittances of profits from foreign direct investment increased significantly, largely offsetting the slow-down in the global flow of interest payments.

39. The increase in the region's trade deficit, only partially offset by a small decline in payments of profits and interest, led to a larger deficit on current account, as mentioned above. Generally speaking, the evolution of each country's current account reflected changes in their trade balance, which were much greater than the fluctuations in factor payments. Practically all of the US$ 7 billion deterioration in the balance on current account came from the non-oil-exporting countries of South America. The largest change took place in Brazil, where the surplus fell by 80 per cent, from US$ 6.3 billion to US$ 1.2 billion, as a result of import growth and an increase in factor

Table 9. Latin America and the Caribbean: balance of payments

(Millions of dollars)

	Net service payments a/			Net payments of profits and interest c/			Balance on current account d/			Net movement of capital e/			Global balance f/		
	1991	1992	1993 b/	1991	1992	1993 b/	1991	1992	1993 b/	1991	1992	1993 b/	1991	1992	1993 b/
Latin America and the Caribbean	4 611	5 128	5 280	30 986	29 155	28 900	-20 160	-36 931	-42 570	39 306	61 973	54 605	19 146	25 042	12 035
Oil-exporting countries	1 262	1 864	395	11 865	12 643	12 825	-17 725	-28 823	-28 095	25 851	31 769	32 425	13 126	2 966	4 370
Bolivia	159	151	185	242	193	200	-422	-754	-700	444	780	810	22	26	110
Colombia	308	116	-15	2 000	1 939	1 655	2 363	925	-1 610	-527	157	1 520	1 836	1 092	-90
Ecuador	271	305	340	950	802	770	-577	-351	-310	741	915	825	164	564	515
Mexico	-3 428	-2 529	-3 325	7 070	7 046	7 258	-13 890	-22 924	-21 010	21 682	24 670	25 090	7 992	1 746	4 080
Peru	792	837	860	1 011	959	970	-1 968	-2 363	-2 365	2 855	2 931	2 860	887	568	495
Venezuela	2 160	2 984	2 350	592	1 714	1 980	1 769	-3 356	-2 060	456	2 326	1 320	2 225	-1 030	-740
Non-oil-exporting countries	3 349	3 264	4 885	19 121	16 502	16 075	-7 435	-8 109	-14 515	13 455	30 184	22 180	6 020	22 076	7 665
South America	5 210	5 297	7 130	17 384	14 759	14 725	-4 921	-4 143	-10 545	9 439	25 952	17 835	4 518	21 809	7 290
Argentina	1 618	2 367	2 765	5 634	4 574	3 700	-2 804	-8 361	-8 200	5 433	12 910	10 000	2 629	4 549	1 800
Brazil	3 890	3 224	4 700	9 652	8 082	9 200	-1 443	6 266	1 200	1 640	6 802	3 440	197	15 068	4 640
Chile	-36	-98	-140	1 807	1 860	1 600	-157	-940	-2 310	1 404	3 487	2 890	1 347	2 547	580
Paraguay	-45	-6	-45	58	56	85	-519	-872	-745	818	515	785	299	-357	40
Uruguay	-174	-190	-150	233	187	140	2	-236	-490	144	238	720	146	2	230
Central America and the Caribbean	-1 861	-2 033	-2 245	1 737	1 743	1 350	-2 514	-3 965	-3 970	4 016	4 232	4 345	1 502	267	375
Costa Rica	-170	-166	-200	187	201	195	-167	-446	-605	515	587	695	348	141	90
Dominican Republic	-841	-1 030	-1 150	215	243	240	-115	-478	-180	457	504	565	342	26	185
El Salvador	6	21	45	127	104	110	-369	-423	-345	299	482	495	-70	59	150
Guatemala	-140	-126	-65	140	179	145	-186	-758	-1 000	740	738	1 020	554	-20	20
Haiti	97	36	30	27	9	5	-176	-135	-110	154	76	100	-22	-49	-10
Honduras	15	-18	-90	297	318	320	-334	-379	-370	400	371	210	66	-8	-160
Nicaragua	66	71	45	363	495	430	-849	-1 074	-855	935	1 076	775	86	2	-80
Panama	-894	-821	-860	381	194	-95	-318	-282	-305	516	398	485	198	116	180

Source: 1991 and 1992: Economic Commission for Latin America and the Caribbean, on the basis of figures supplied by the International Monetary Fund; the 1992 figures for Ecuador, El Salvador, Haiti and Paraguay are Economic Commission for Latin America and the Caribbean estimates based on official figures; 1993: Economic Commission for Latin America and the Caribbean, on the basis of official figures.

a/ Not including net payments of profits and interest.

b/ Preliminary Economic Commission for Latin America and the Caribbean estimates. Figures have been rounded to the nearest ten or five.

c/ Including interest due.

d/ Including net unrequited private transfer payments, which were of a significant level in 1993 in the following countries: Colombia, Mexico, Brazil, El Salvador, Guatemala and the Dominican Republic.

e/ Including short-term capital, unrequited official transfer payments, and errors and omissions.

f/ Corresponding to the variation in international reserves (of opposite sign) plus counterpart items.

payments. The current account of oil exporters changed little on the whole, but individually they recorded variations that offset one another (table 9).

40. Net capital flows to the countries of Latin America and the Caribbean continued to be very positive in 1993, but the sum was somewhat smaller than that of the year before. The figure for 1993 was US$ 55 billion, compared with US$ 62 billion in 1992 (see table 10). Paradoxically, it was the non-oil-exporting countries of South America, whose balance on current account had deteriorated sharply - mainly Brazil, Argentina and, to a lesser extent, Chile - that suffered the largest reductions in capital inflows. Uruguay and Paraguay, on the other hand, recorded strong increases.

41. As during the previous biennium, these capital flows came from a variety of sources, mostly private and in good part non-bank. Indeed, even though official creditors (bilateral and multilateral) still constituted one of the main sources of funds for the small countries of Central America and the Caribbean, Mexico and most of the South American countries managed to attract new kinds of foreign capital from non-bank sources. The main ones were bond issues, stock portfolio investments and foreign direct investment (which had been considerable in the period immediately after the Second World War, but marginal during the 1970s and 1980s).

42. Apart from resources attracted by these means, large flows (close to half of the total) entered the region as foreign direct investment, trade credits (which expanded along with the flow of imports), time deposits in local banks and public debt instruments denominated in local currency.

43. In spite of the growing deficit on Latin America's current account in 1993 and the simultaneous reduction of net capital inflows, the latter were still comfortably larger than the former. The difference, the global balance of payments, was US$ 12 billion, less than half the US$ 25 billion recorded in 1992 (table 8). As a result, reserves in most of the countries increased considerably. Only in five countries (Colombia, Haiti, Honduras, Nicaragua and Venezuela) did they decline in 1993. The increases in reserves, however, were notably less than they were the year before in Argentina, Brazil and Chile. Mexico, on the other hand, more than doubled its reserves.

44. The net transfer of financial resources to Latin America and the Caribbean was positive for the third year in a row, after nine years of negative transfers between 1982 and 1990 (table 10). Net transfers reached US$ 25.7 billion in 1993, somewhat less than the figure for the previous year (see table 10). Thus, net transfers dropped to 15.2 per cent of the region's exports of goods and services (as opposed to 20 per cent in 1992), remaining at 25.2 per cent in the oil-exporting countries and dropping to only 6.7 per cent in the non-oil-exporting ones. The main cause of the absolute and relative decline of net transfers was the reduction in net capital flows, since net payments of profits and interest virtually stagnated.

Table 10. Latin America and the Caribbean: net capital inflow and transfer of resources

(Billions of dollars)

	Net capital inflow (1)	Net payments of profits and interest (2)	Transfer of resources (3)=(1)-(2) (3)	Exports of goods and services (4)	Transfer of resources/ exports of goods and services a/ (5)=(3)/(4) (5)
			Latin America and the Caribbean		
1975-1979 b/	104.9	44.5	60.4	287.4	21.0
1975-1979 c/	21.0	8.9	12.1	57.5	21.0
1980	32.0	18.9	13.1	104.9	12.5
1981	39.8	28.5	11.3	113.2	10.0
1982	20.1	38.8	-18.7	102.9	-18.2
1983	2.9	34.5	-31.6	102.4	-30.9
1984	10.4	37.2	-26.8	113.6	-23.6
1985	3.1	35.3	-32.2	108.6	-29.7
1986	9.9	32.4	-22.5	94.8	-23.7
1987	15.2	31.3	-16.1	107.9	-14.9
1988	5.3	34.0	-28.7	123.0	-23.3
1989	9.7	37.6	-27.9	136.4	-20.5
1990	20.7	34.8	-14.1	150.6	-9.4
1991	39.3	31.0	8.3	151.2	5.5
1992	62.0	29.2	32.8	161.1	20.3
1993 d/	54.6	28.9	25.7	168.8	15.2
			Oil-exporting countries		
1975-1979 b/	43.6	18.2	25.4	140.9	18.0
1975-1979 c/	8.7	3.6	5.1	28.2	18.1
1980	13.4	8.3	5.1	54.6	9.3
1981	17.6	12.2	5.4	59.2	9.1
1982	3.8	17.2	-13.4	55.7	-24.1
1983	-4.7	14.9	-19.6	54.0	-36.3
1984	-2.7	16.3	-19.0	59.5	-31.9
1985	-2.7	15.2	-17.9	55.0	-32.5
1986	2.5	13.3	-10.8	44.5	-24.3
1987	4.7	12.8	-8.1	52.5	-15.4
1988	0.9	13.0	-12.1	53.8	-22.5
1989	4.7	14.9	-10.2	62.3	-16.4
1990	8.0	13.3	-5.3	74.1	-7.2
1991	25.9	11.9	14.0	73.6	19.0
1992	31.8	12.7	19.1	74.7	25.6
1993 d/	32.4	12.8	19.6	77.9	25.2

	Net capital inflow (1)	Net payments of profits and interest (2)	Transfer of resources (3)=(1)-(2) (3)	Exports of goods and services (4)	Transfer of resources/ exports of goods and services a/ (5)=(3)/(4) (5)
			Non-oil-exporting countries		
1975-1979 b/	61.3	26.3	35.0	146.5	23.9
1975-1979 c/	12.3	5.3	7.0	29.3	23.9
1980	18.5	10.6	7.9	50.3	15.7
1981	22.2	16.3	5.9	54.1	10.9
1982	16.3	21.5	-5.2	47.3	-11.0
1983	7.6	19.6	-12.0	48.4	-24.8
1984	13.1	20.9	-7.8	54.1	-14.4
1985	5.8	20.2	-14.4	53.6	-26.9
1986	7.3	19.2	-11.9	50.4	-23.6
1987	10.5	18.4	-7.9	69.1	-14.3
1988	4.4	21.0	-16.6	74.1	-24.0
1989	5.0	22.7	-17.7	76.4	-23.9
1990	12.7	21.5	-8.8	77.6	-11.5
1991	13.4	19.1	-5.7	86.4	-7.3
1992	30.2	16.5	13.7	90.0	15.8
1993 d/	22.2	16.1	6.1		6.7

Source: 1975-1992: Economic Commission for Latin America and the Caribbean, on the basis of figures supplied by the International Monetary Fund; 1993: Economic Commission for Latin America and the Caribbean, on the basis of official figures.

a/ Percentage.

b/ Cumulative.

c/ Average.

d/ Preliminary estimates.

IV. EXTERNAL DEBT

45. The external debt of Latin America and the Caribbean grew by US$ 19 billion in 1993, reaching US$ 487 billion by year's end (see table 11 and figure). This 4 per cent rise was higher than the previous year's increase and was caused by a number of factors, the main one in the case of the region's larger economies being a large number of bond placements for a total of US$ 19 billion. Loans from bilateral and multilateral sources increased the indebtedness of many smaller countries. Debt in the form of trade credits also grew. At the same time, other factors pulled in the opposite direction. The increasing use of forms of financing that did not create indebtedness, whether direct investment, time deposits or raising of funds through equity markets, limited debt growth. Some debt reduction operations also took place in the course of the year, especially in Argentina.

46. The growth of the debt was widespread in the region. Only in four countries did the debt contract in 1993: El Salvador (-14 per cent), Guatemala (-4 per cent), Panama (-1 per cent) and Trinidad and Tobago (-12 per cent). Everywhere else, the debt grew, generally at moderate rates. Most of the US$ 19 billion increase in the regional total occurred in Mexico, whose debt rose by US$ 11 billion (9.6 per cent). Other countries with relatively high percentage increases in their debt were Paraguay (5.6 per cent), Chile (5.2 per cent), Argentina (4.6 per cent), Costa Rica (4.4 per cent) and Ecuador (4.2 per cent).

47. Latin America's external debt burden also contracted during the year, continuing the trend of the past decade. The coefficient reflecting interest due on the external debt as a percentage of exports of goods and services fell from 19.2 per cent in 1992 to 17.6 per cent in 1993 (see figure); this figure had been 39 per cent in the period 1982-1983. The coefficient was still high, however. Many analysts believe that coefficients of over 10 per cent are cause for concern. With the exception of five countries (Costa Rica, Chile, Guatemala, Haiti and Paraguay), all the Latin American countries still had coefficients above this figure. Six countries had coefficients above 20 per cent: Nicaragua (116 per cent), Peru (25 per cent), Bolivia (23 per cent), Brazil (20 per cent), Argentina (22 per cent) and Honduras (22 per cent).

Table 11. Latin America and the Caribbean: total disbursed external debt a/

	Year-end balance (Millions of dollars)								Annual growth rate				
	1986	1987	1988	1989	1990	1991	1992	1993 b/	1979-1981	1982-1983	1984-1991	1992	1993 b/
Latin America and the Caribbean	400 918	427 445	419 553	422 749	439 094	456 586	460 067	486 965	22.9	11.3	2.7	2.5	4.0
Oil-exporting countries	179 262	186 217	186 095	180 749	190 465	204 978	206 220	219 290	24.7	10.7	2.1	0.6	6.3
Bolivia c/	3 536	4 162	4 066	3 492	3 779	3 628	3 774	3 900	14.3	9.4	1.7	4.0	3.3
Colombia	15 950	17 047	17 359	17 007	17 556	16 975	16 779	17 120	28.0	16.0	5.0	-1.2	2.0
Ecuador	9 063	10 320	10 581	11 322	11 856	12 271	12 122	12 635	21.0	18.3	6.6	-1.2	4.2
Mexico	100 500	102 400	100 900	95 100	101 900	114 900 e/	114 900 e/	125 000 e/	30.2	11.9	1.4	-0.8	9.6
Peru	14 477	15 373	16 493	18 536	19 762	20 735	21 333	21 685	1.0	13.8	6.6	2.9	1.7
Trinidad and Tobago	1 898	2 082	2 012	2 097	2 520	2 433	2 212	1 950	29.3	16.3	6.9	-9.1	-11.8
Venezuela d/	33 838	34 833	34 684	33 195	33 092	34 036	36 000	37 000	24.7	4.0	-0.2	5.8	2.8
Non-oil-exporting countries	221 656	241 228	233 458	242 000	248 629	251 608	261 847	267 675	21.5	11.7	3.2	4.1	2.2
South America	191 931	209 825	201 012	206 752	212 611	215 876	225 292	231 115	21.9	11.1	2.9	4.4	2.6
Argentina	51 422	58 324	58 473	63 314	60 973	63 700	65 000	68 000	41.9	12.4	3.6	2.0	4.6
Brazil	111 045	121 174	113 469	115 096	122 200	123 910	130 200	131 700	14.4	10.6	2.9	5.1	1.2
Chile	20 829	20 660	18 960	17 520	18 576	17 371	18 926	19 915	30.5	7.6	-0.5	9.0	5.2
Guyana	1 542	1 736	1 778	1 801	1 784	2 063	2 190	2 250	28.1	17.8	10.0	6.2	2.7
Paraguay	1 855	2 043	2 002	2 027	1 695	1 666	1 279	1 350	12.3	24.5	1.6	-23.2	5.6
Uruguay	5 238	5 888	6 330	6 994	7 383	7 166	7 697	7 900	35.9	21.2	5.8	7.4	2.6
Central America and the Caribbean	29 725	31 403	32 446	35 248	36 018	35 732	36 555	36 560	18.7	16.1	5.2	2.3	0.0
Costa Rica	4 079	4 384	4 470	4 488	3 930	4 016	4 022	4 200	12.8	14.7	1.6	0.1	4.4
Dominican Republic	3 812	3 899	3 883	4 090	4 482	4 572	4 426	4 500	24.2	14.0	4.1	-3.2	1.7
El Salvador	1 928	1 880	1 913	2 169	2 226	2 216	2 338 c/	2 015 c/	17.7	8.4	2.0	5.5	-13.8
Guatemala	2 674	2 700	2 599	2 731	2 602	2 561	2 582	2 480	19.0	24.8	2.2	0.8	-4.0
Haiti c/	696	752	778	803	861	826	845	860	21.0	21.7	5.2	2.3	1.8
Honduras	3 366	3 773	3 810	3 374	3 547	3 174	3 538	3 595	17.5	16.7	4.9	11.5	1.6
Jamaica	3 575	4 014	4 002	4 038	4 152	4 456	4 450	4 500 f/	22.6	14.9	3.6	-0.1	1.1
Nicaragua c/	5 760	6 270	7 220	9 741	10 504	10 212	10 806	10 910	27.1	21.5	13.2	5.8	1.0
Panama c/	3 835	3 731	3 771	3 814	3 714	3 699	3 548	3 500	9.0	13.8	2.0	-4.1	-1.4

Source: Economic Commission for Latin America and the Caribbean, on the basis of official figures.

a/ Including debt owed to the International Monetary Fund.

b/ Preliminary figures.

c/ Public-sector debt.

d/ Total debt according to figures supplied by official sources and international financial institutions.

e/ Figures for the private debt have been adjusted to take account of the privatization process and the elimination of the exchange-control system.

f/ As at 30 June.